

#WWWeek

# Innovative finance for scaling effective SDG 6 solutions

26 August | 15:00 - 15:45 CEST

*Participate in our welcome poll while we wait for everyone to join!*



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Session



Roots  
of Impact



# Session Goals

- Learn about emerging financial innovations in water and sanitation
- Understand how these stimulate investments at different levels of scale & for different types of actors
- Showcase how philanthropic capital can catalyse (private) investments

# Session Plan

**15:00 - 15:10**

Introduction & scene setting - **Aqua for All**

**15:10 - 15:30**

Short presentations on financial innovations

- Transition to Scale by **Grand Challenges Canada**
- Social Impact Incentives Model by **Roots of Impact**
- Patient Capital for Small & Growing Businesses by **Take a Stake Fund**
- Water Access Acceleration Facility by **Incofin Investment Management** and **Danone Communities**
- Sanitation Impact Bond by **WASTE/FINISH Mondial**
- Global Credit Enhancement Facility by **Water.org**

**15:30 – 15:45**

Audience Q&A and Closing

# Introduction

Ms Josien Sluijs, Managing Director **Aqua for All**



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# The service gap

Achieving SDG 6 requires making sustainable, affordable water and sanitation services available for all.

Source: Financing water. Investing in sustainable growth. Policy perspectives. OECD Environment Policy Paper No. 11 (2018)

## The Global Water Challenge: Key Facts



Water-related losses in agriculture, health, income, and property could result in decline by as much as **6% of GDP by 2050** in some regions of the world.

WB (2016a)

Poor sanitation, water and hygiene lead to **675 000 premature deaths annually...**



...and **losses of up to 7% in GDP** of certain countries.



WB (2016b)

### Annual economic losses

**USD 260 bn** due to inadequate water supply and sanitation



**USD 120 bn** due to urban property flood damages

**USD 94 bn** due to water insecurity to existing irrigators



Sadoff et al (2015)

**4.5 bn** people lack access to sanitation compatible with SDG6 objectives.



**2.1 bn** people lack access to safe drinking water.

WHO-UNICEF (2017)

Benefit-cost ratios for **investments in water sanitation services** have been reported to be as high as **7 to 1** in developing countries.



OECD (2011)

# The financial gap to achieve SDG 6



## Insufficient public funds



Water and sanitation have been historically financed by the public sector – but **public funds are not enough**



## Need for private investments



Achieving SDG 6 requires an estimated \$114 billion per year, while **less than \$5 billion of (donor) funds are available**

Innovative solutions for **de-risking and unlocking private capital** are needed



## Missing link between solutions and funding



**\$2.14 billion** of commercial finance was mobilised for water & sanitation **through blended finance** (2012-2017)

- This is only 1.36% of the total amount mobilised (\$157.2 billion)



Aqua for All



# WHO WE ARE

**Not-for-profit** organisation

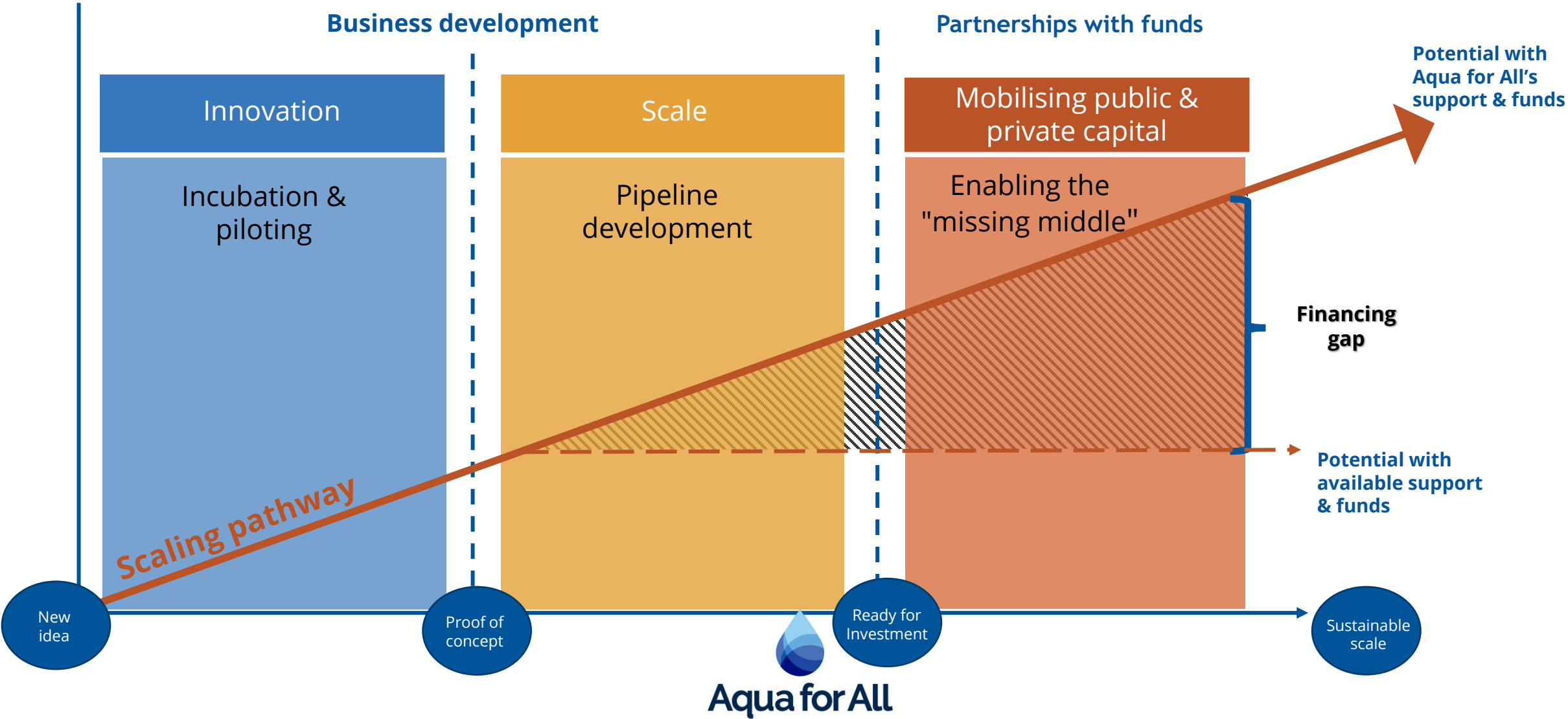
Long-term expertise supporting  
**entrepreneurship**

- Innovation (proof-of-concept)
- Scale up (investment ready)
- Mobilising Public/Private capital

A **partner** for bridging the service and finance gaps in the water and sanitation economy

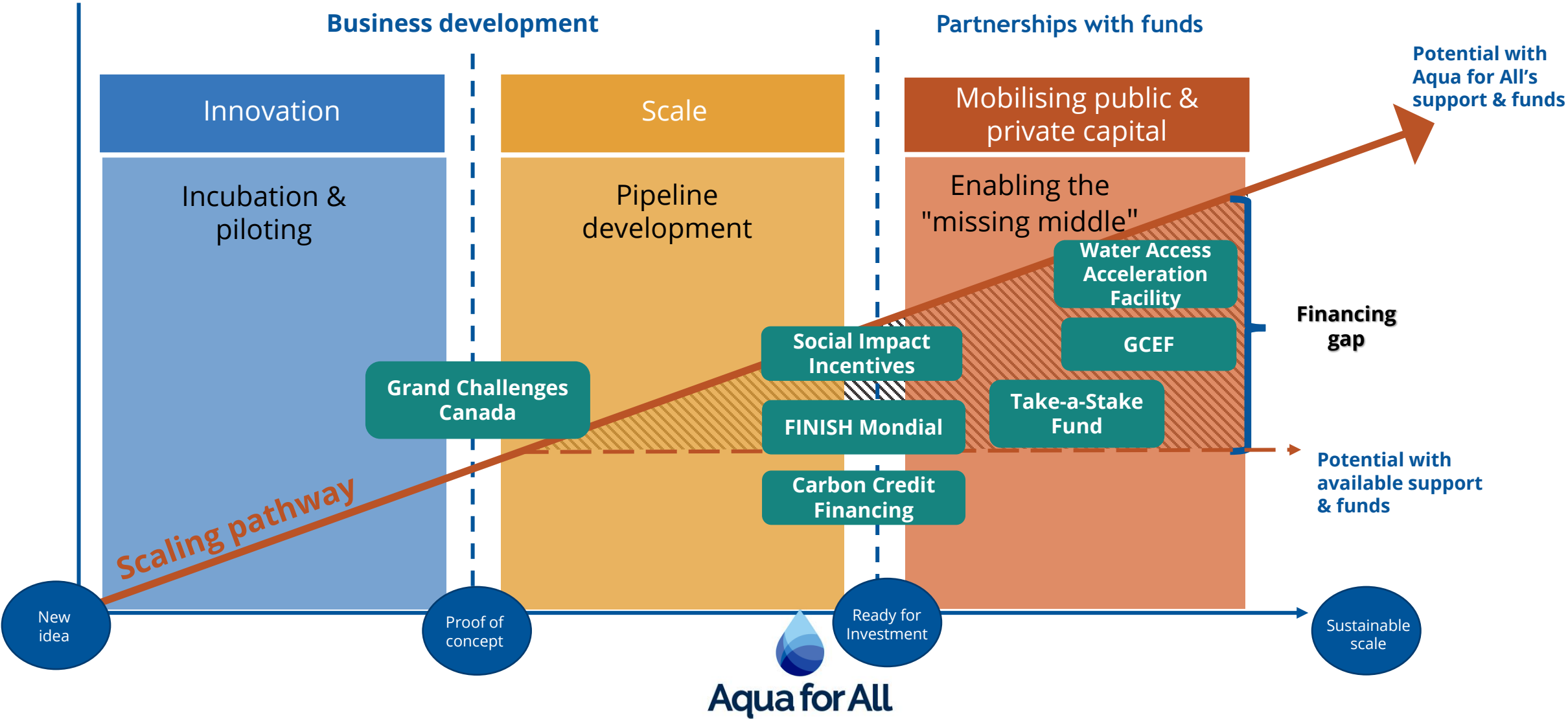


# Making Water Count: Our €40 million programme





# Making Water Count: Our €40 million programme



# Unlocking private/public capital: Our de-risking instruments



## Purpose:

- SME financing
- Access to finance for low-income households



Technical assistance



De-risking investments

- Co-investments
- First/second loss capital
- Guarantees



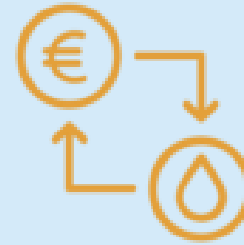
Alternative financing models

- Impact incentives
- Carbon credits schemes

# Our key results (2002-2019)



More than **5.64 million low-income people** got access to safe water, sanitation and/or IWRM\*



**€140 million** in funds managed



Operations in **65 countries**, mainly in Africa and Asia



More than **200 organisations** supported



Our funds were primarily spent in **Africa (65%)** and **Asia (34%)**

*\*Integrated water resources management - IWRM*



A group of children are gathered around a blue manual water pump. A girl in a red shirt is operating the handle, and water is spraying from the spout. Other children are playing with the water, some pouring it over their heads. The scene is outdoors with lush green trees in the background.

Interested in partnering with us?  
Contact: [info@aquaforall.org](mailto:info@aquaforall.org)

[www.aquaforall.org](http://www.aquaforall.org)  
twitter: [@AquaforAll](https://twitter.com/AquaforAll)



# Transition to Scale

Brittney Dudar, Investment Associate Grand Challenges Canada



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# What is Grand Challenges Canada?

Grand Challenges Canada is an innovation platform that seeds and transitions to scale scientific, social and business innovation to drive sustainable impact.



It is designed to:

- ◆ Leverage resources and expertise from **public, private and philanthropic partners**
- ◆ Deploy both **grant and non-grant financing**
- ◆ Apply the best of public and private approaches to **evaluate impact, manage risk and knowledge**, and to **ensure affordable access**

We are a **funder and enabler of innovation for impact**.

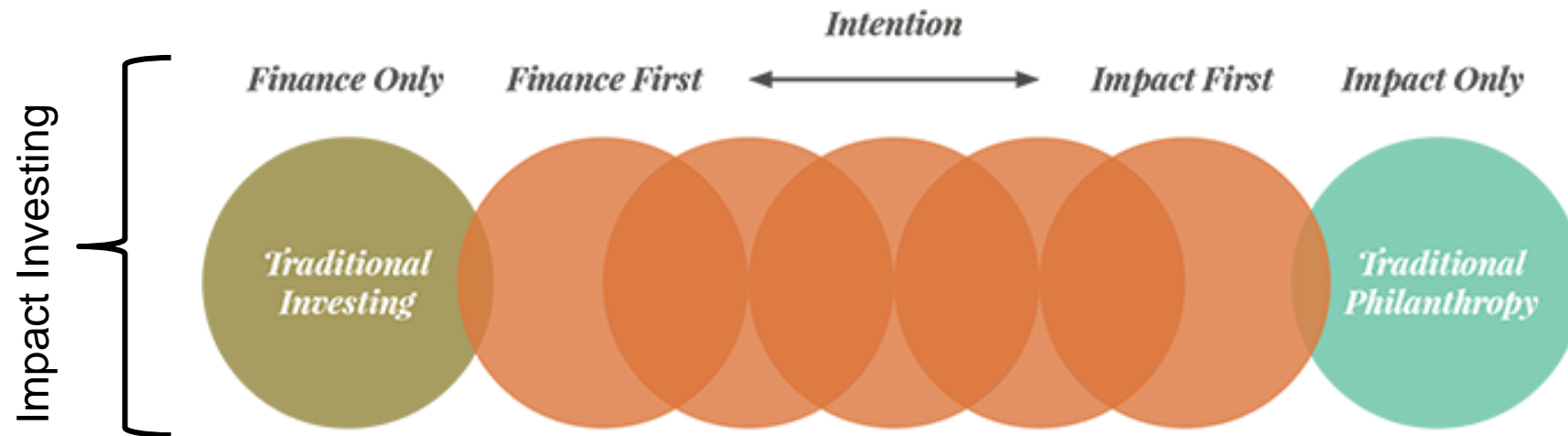
We are funded by the **Government of Canada**, other governments and partners.

We support **gender equality** in all aspects of our organization and programming.

Unlike traditional grant-makers, Grand Challenges Canada operates at the intersection of development/humanitarian, scientific, and business sectors.

Investment decisions balance priorities at the intersection of these fields:

- Is the innovation **bold**?
- Will it have **big impact**?
- Is there a viable path to **scale & sustainability**?
- Does Grand Challenges Canada provide a unique **value add**?



## Sub-Portfolio: Sanitation



The Sanitation sub-portfolio of Transition-to-Scale investments employs **grant and loan financing to support innovative sanitation solutions for unsewered communities**. In particular, innovations in this sub-portfolio focus on urban and rural contexts, container-based sanitation\*, waste-to-resource solutions and sector-specific dimensions of scale and sustainability.

### Impact:



**20 innovations** supported with **\$17.77M CAD** in GCC funding and partnership funding



Up to **12 million** lives improved by 2030

\*Container-based sanitation (CBS)= stand-alone toilets with sealable, removable containers installed in homes or residential compounds, with safe waste management

**Brittney Dudar**

Investment Associate

Grand Challenges Canada

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# Social Impact Incentives Model

Patrizia Baffioni, Lead Impact-Linked Finance Programs **Roots of Impact**



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# What if ...

... social returns really  
mattered ?





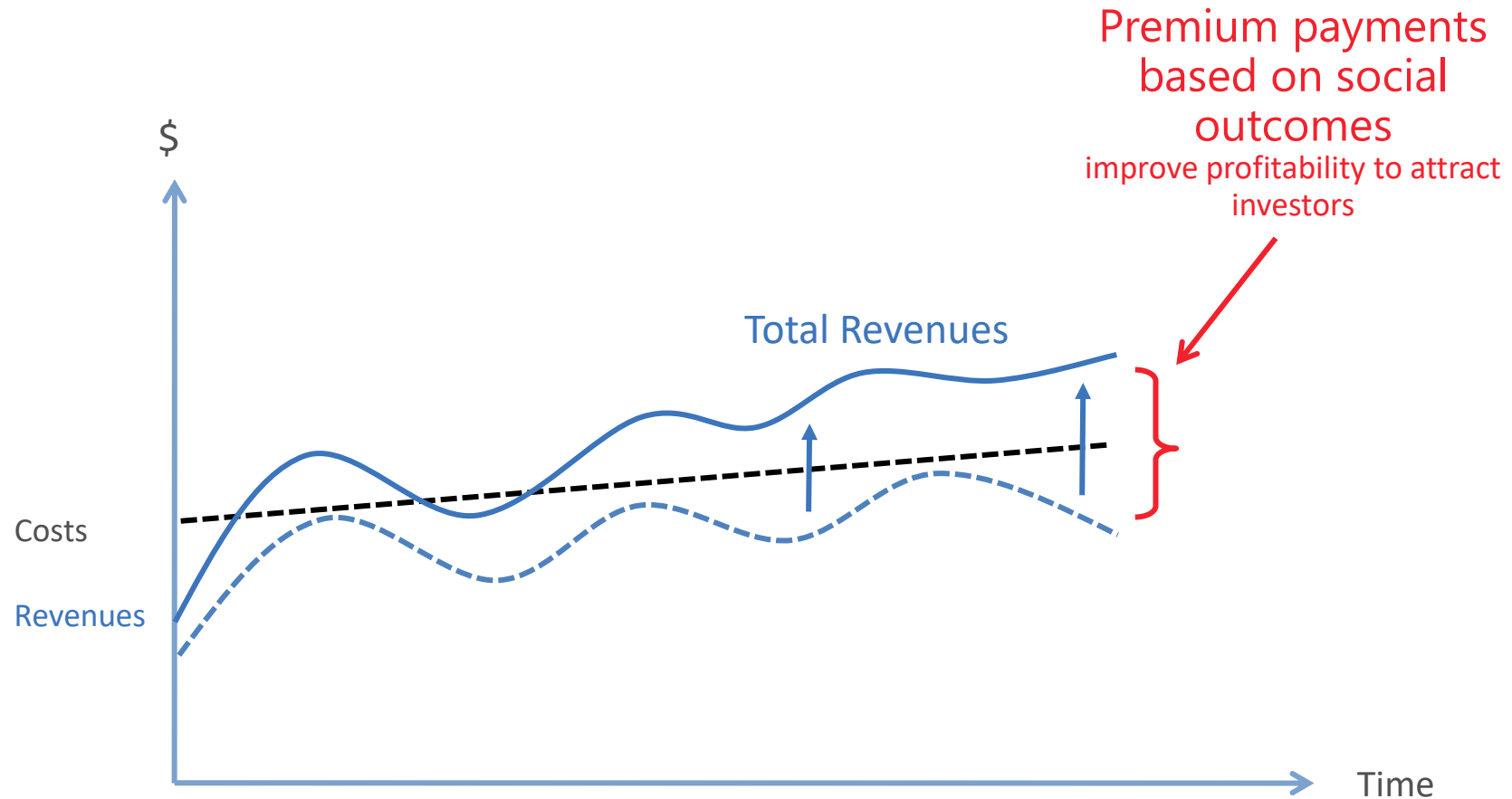
# What if ...



... entrepreneurs would get paid  
for all the value they create?



# Business case with SIINC





# SIINC for WASH



## Social Impact Incentives for Water, Sanitation and Hygiene Program

**Rewards for impact**

Call for application closes on September 27th

**Apply today!**

[www.roots-of-impact.org](http://www.roots-of-impact.org)





# Reach out to us

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# Patient capital for Small & Growing Businesses

Jacqueline Barendse, Advisor **Take-a-Stake Fund**



# Take-a-Stake (TAS) *in a Nutshell:*

Aiming for Profit + Development Impact (People, Planet, Prosperity)



## WHAT WE DO

**DEBT & later also EQUITY in Small & Growing Businesses (SGBs)**

## WHERE WE OPERATE (START)



**KENYA**



**UGANDA**



**INDIA**

## WHO WE INVEST IN

- ✓ Targeting specific SME segment: Small & Growing Businesses (SGBs) in WASH, waste (re-use/circular economy) and linked sectors
- ✓ Proven business models,  $\geq 3$  years (not start-up's)
- ✓ Despite track record SGBs lack access to funding: Too large for MFIs and too small for mainstream FIs (e.g. banks): The Missing Middle

## HOW WE WORK

**STRONG BUILDING BLOCKS: EMBEDDED IN 'ECOSYSTEM'**

**Working with local teams and building on long standing local & international partnerships**

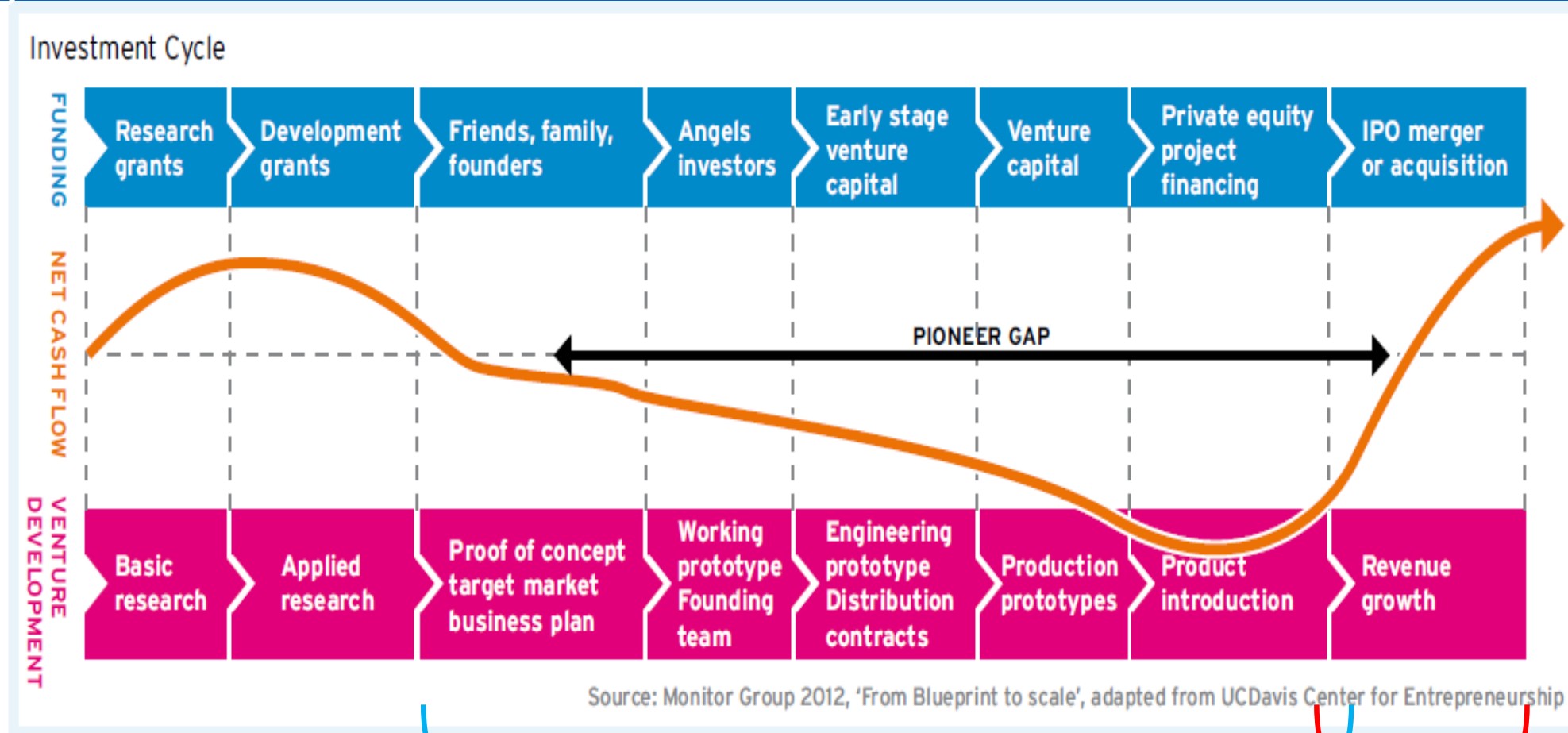
## WHAT WE PROVIDE

**DEBT: €150K - €1M  
+ leverage co-investors**

**+ OTHER SUPPORT: Capacity building, access to best practices & growth advisory**

# Target Segment Small & Growing Businesses (SGBs)

Looking for investments EUR 100k – 5M

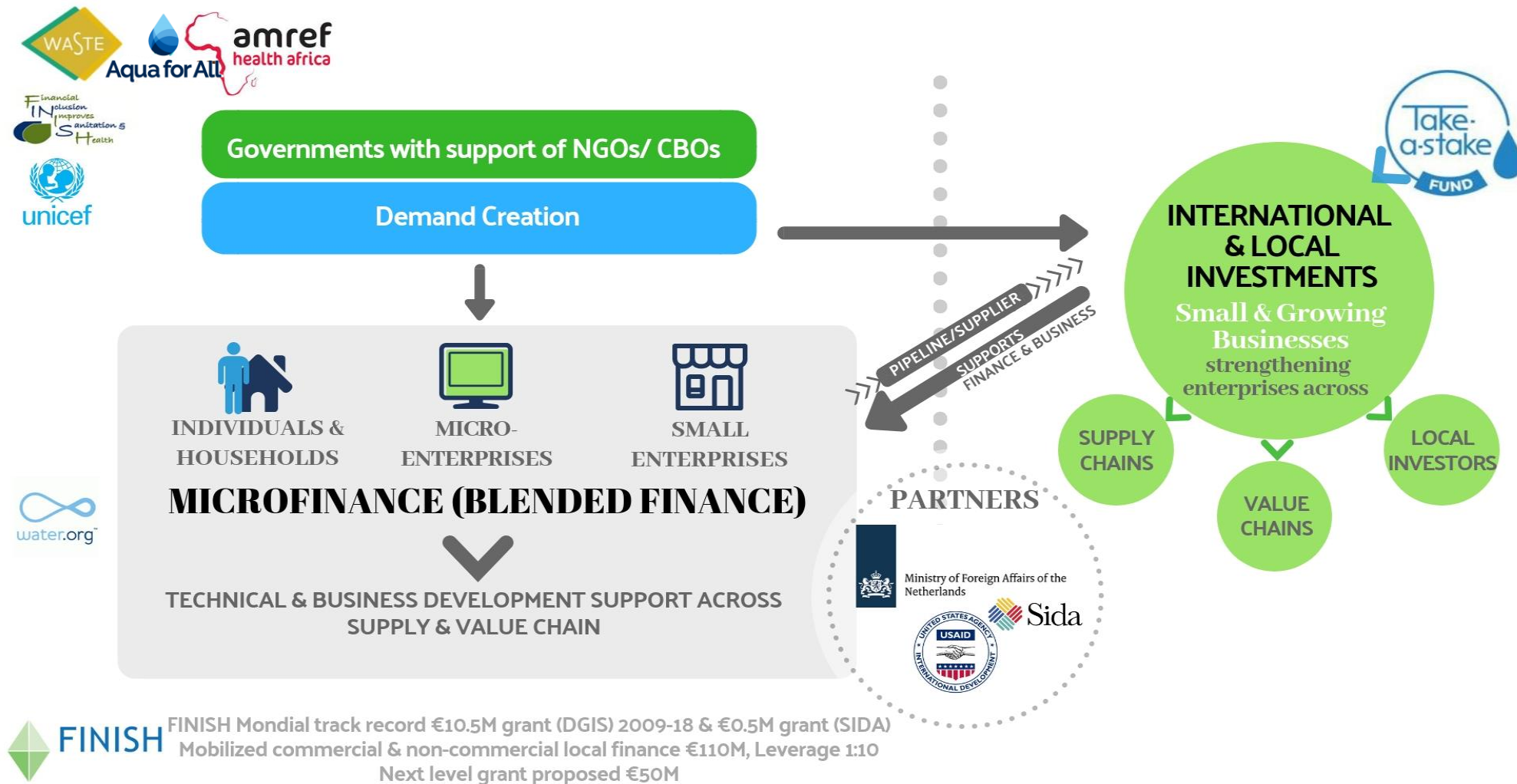


Complementary / partnering with:



# The Bigger Picture:

Take-a-Stake is complementary and part of larger partnerships





# Thank you very much!



## CONTACT

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**Jacqueline Barendse**

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# Water Access Acceleration Facility

Michaël Blockx, Director Fund Development **Incofin Investment Management**;  
Corinne Bazina, General Manager **Danone Communities**



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# Danone and Incofin have partnered up to provide capital to financially sustainable water companies with an objective to improve access to safe and affordable water



- › Many ***water companies*** are already ***financially sustainable***, thanks to new technologies, new revenue streams like carbon credit sales, Public Private Partnerships, ...
- › and many safe water solutions are proving their importance during the COVID-19 crisis

Financially sustainable companies need **capital** to grow and improve access to safe and affordable water



## Launch of a new initiative to scale access to safe and affordable drinking water and demonstrate financial sustainability of water businesses



### Corporate capital sponsors this partnership

- › Between a ***multinational corporation*** and ***international impact investor***:
  - › Danone sponsors this initiative driven by its genuine focus on social and environmental impact



### Impact first with ambition to deliver return

- › Open to **all types of investors**, including corporations and commercial banks, ready for the idea of impact first investment

# The initiative will invest in social enterprises that improve access to safe and affordable water to people with income below USD 8/day in Africa, Asia and LATAM

## Water Access Acceleration Initiative

### WHAT

- Focused on accelerating access to safe and affordable drinking water
- Focused on 3 sectors :

#### Safe Water Enterprises (SWE)



#### Water Technology Companies



#### Decentralized Piping Infrastructure



### HOW

- Minority equity stakes with board position

### SIZE

- EUR 3-5m ticket size
- 10 – 12 portfolio companies

### HOW LONG

- 5 – 7 years: patient capital

### WHERE

- Focus on Africa
- Also Asia and LATAM

## Contact details



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# Sanitation Impact Bond

Valentin Post, CEO **FINISH Mondial**



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# Sanitation Impact Bond



## FINISH Mondial

- Demand generation by FINISH Society
- Supply-side training on systems for reuse
- Government engagement
- MFIs extending sanitation loans

## CONTEXT

Government sanitation drive has changed course



Shortage of funds



Many people with non-functional sanitation systems

## PROBLEMS

- Health effects not kicking in as expected
- Over-dependence on chemical fertilizer
- Declining soil fertility
- Irresponsible solid & liquid waste management

Refinancing microfinance for sanitation is an issue: *Why a pilot first?*

'Proof of concept' project is needed to develop the bond itself (with all contractual & legal issues)

Proof of concept to test willingness of investors to buy bonds for a return of 3 or 4% (as noted)

## SCALE OF WORK: US\$ 3 MILLION

MFI:  
CASHPOR  
Micro Credit

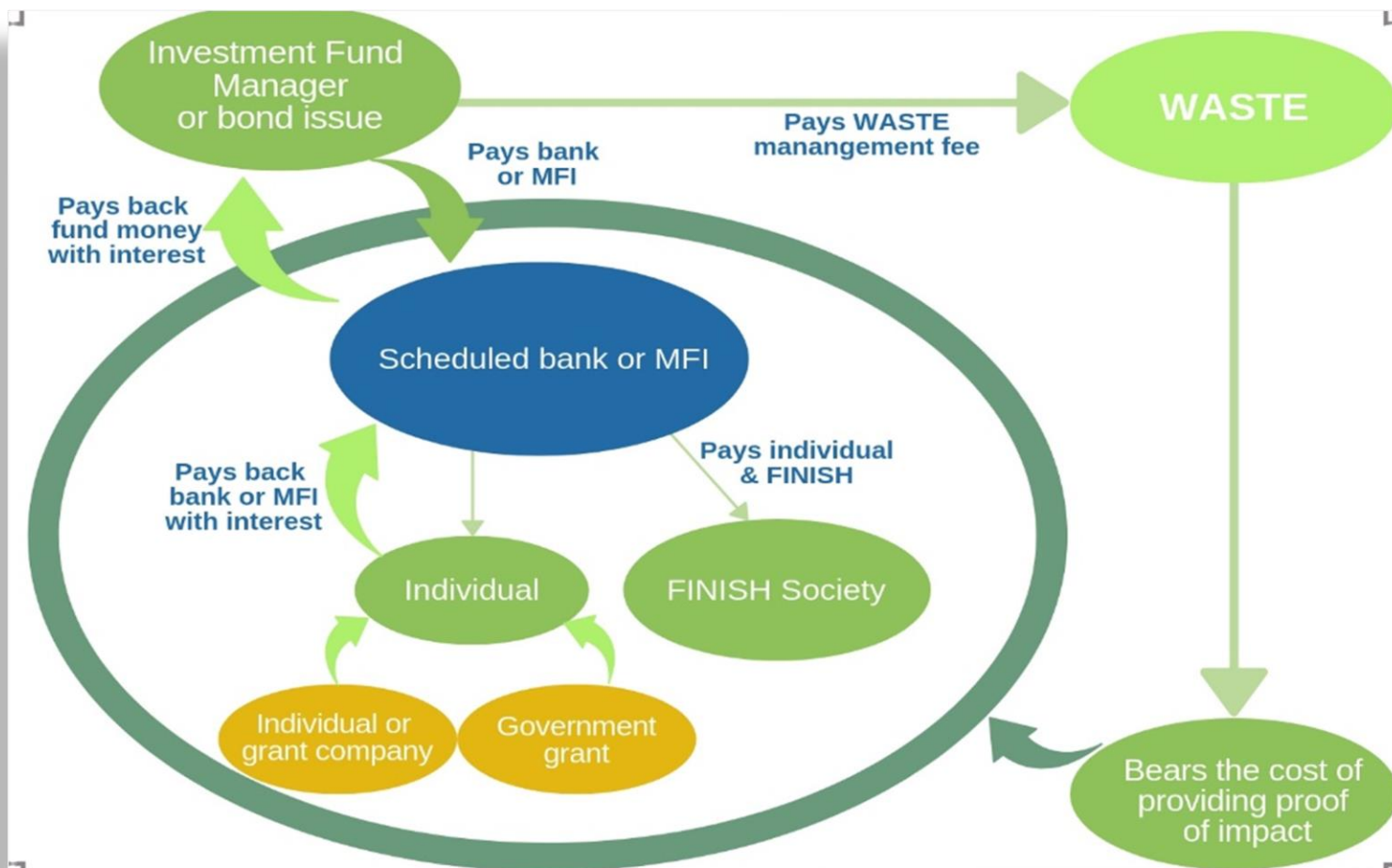
FINISH Society: demand  
generation & supply  
side

WASTE: impact  
measurement

# Sanitation Impact Bond



## THE SET UP



## CONCLUSIONS & LESSONS LEARNED

- **Contracting** has been worked out between 4 partners
- **Impact measurement** on loan conversion & usage
- **25,000 sanitation systems constructed** out of targeted 35,000

*Launching a bond commercially implies a min. size of € 100 million*



# FINISH MONDIAL

Valentin Post, CEO FINISH Mondial [vpost@waste.nl](mailto:vpost@waste.nl)

*Find us on social media!*



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# Global Credit Enhancement Facility

Sudhir Arya, Senior Manager **Water.org**



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## From micro to macro – solving for water and sanitation access at scale

*Problem to address: Financial Institutions perceive water and sanitation lending to be high risk*

MICRO-LEVEL –

*Provide R&D grant support to MFIs*

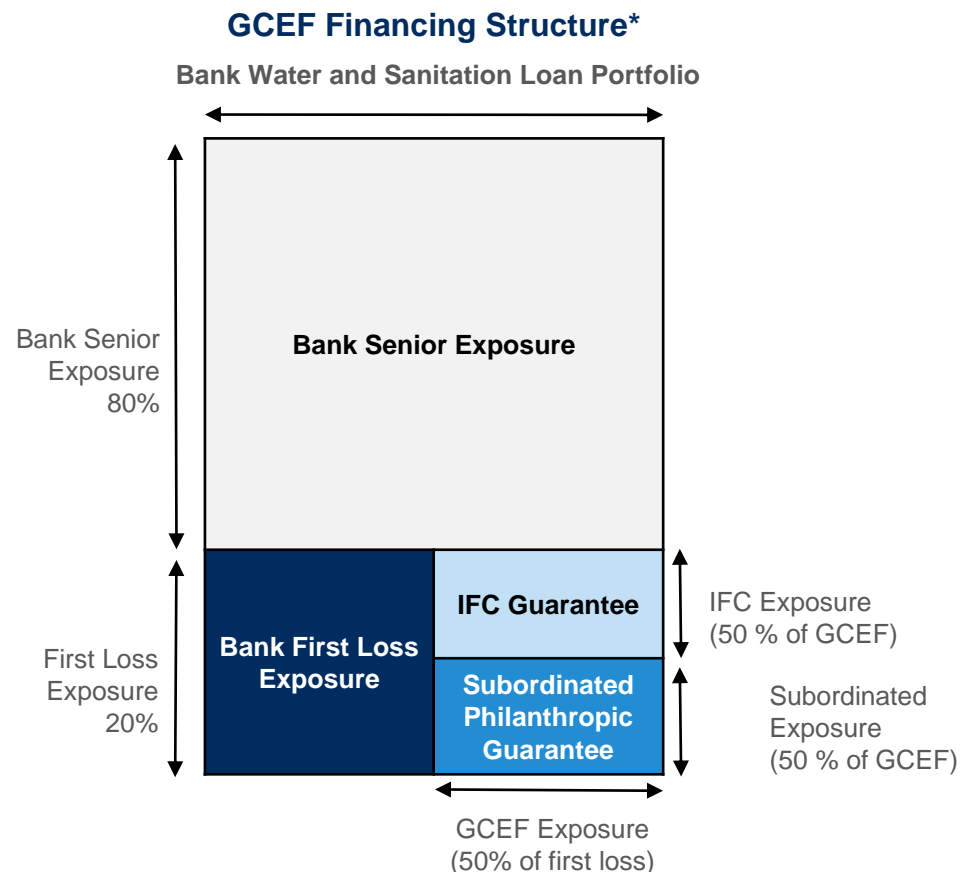


MACRO-LEVEL –

*Provide loan guarantee to commercial banks*



# The Global Credit Enhancement Facility (GCEF) will de-risk water and sanitation lending for Banks/Financial Institutions



Product	Global Credit Enhancement Facility (GCEF)
Description	Partnered with International Finance Corporation to create a global water and sanitation loan loss guarantee facility
Purpose	Provide an appropriately-priced blended finance credit enhancement that acts a first-loss facility to lower banks' perceived risk while gaining familiarity of sector
Results	First deployment in 2020* in India expected to increase bank lending to the sector.  *potentially delayed due to COVID-19

\*Example is for illustrative purposes and will vary drastically by country.

# An integrated approach



**Leveraging development finance to attract private finance to an area they would otherwise find too risky**



**IFC investing across multiple banks that would individually be too small; Creating new markets**

**Philanthropic and other donors investing their money rather than giving grants**



**Water.org providing the expertise in water and sanitation lending**



# Thank you!

**Sudhir Arya**

Senior Manager, Water.org-India

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# Audience Question & Answer



**Josien Sluijs**  
Aqua for All



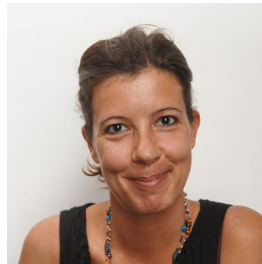
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**Jacqueline Barendse**  
Take-a-Stake Fund



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**Sudhir Arya**  
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**Dina Pons**  
Incofin  
Investment  
Management

# Key Takeaways

- Catalytic role for grants/philanthropic capital to leverage & de-risk investments
- Need for more high risk and patient capital
- WASH lending for households not more risky than other types of loans
- Need to structure financial solutions based on sector needs
- Strength in combining expertise and knowledge



# Thank you!

Want to get in touch? Please see the following slide for contact details of our partners.



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# Contact us

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